

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 812 - HB 1009

February 19, 2013

SUMMARY OF BILL: Requires all contractors submitting a bid on public construction projects in Tennessee to show proof of the contractor's registration with the Department of Revenue (DOR) upon written request by the Commissioner of Revenue or the Chief Procurement Officer (CPO). Requires the DOR to fine any contractor, who fails to provide such proof or who performs work in this state without registering with DOR, an amount not to exceed 10 percent of the contractor's total bid. Requires the DOR to fine any contractor, who intentionally misclassifies individuals as independent contractors rather than employees for the purpose of affecting payments relating to withholding and social security, unemployment tax, or workers' compensation premiums, an amount not to exceed 10 percent of the contractor's total bid. Requires the DOR, the CPO, and the Department of Labor and Workforce Development (DLWD) to share information and coordinate investigative and enforcement efforts regarding contractors in violation of this bill. Authorizes such agencies to create a secure database of information accessible by agency representatives responsible for enforcement and to enter into contracts and interagency agreements and promulgate such rules as may be necessary to implement this bill.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- Under current law, a person wishing to contract with the State to supply goods or services must be registered with the DOR to collect and remit sales and use tax. Failure of a taxpayer to file a tax return is subject to a penalty of up to 25 percent of the tax due.
- Requiring a contractor to provide proof of registration with DOR and to keep a copy of such registration in the contractor's possession during the duration of the public construction project will not have a fiscal impact on state or local government.
- A violation of Title 50, Chapter 6, Part 9 is punishable as a Class A misdemeanor. There will not be a sufficient additional number of prosecutions for state or local government to experience any significant increase in revenue or expenditures as a result of this bill.
- Requiring the DOR, the CPO, and the DLWD to share information and coordinate investigative and enforcement efforts, including the sharing of a database, regarding contractors in violation of this bill will not result in a significant fiscal impact and can be accommodated within existing resources without an increased appropriation or reduced reversion.

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- According to DOR, there will be a positive but unknown increase in state and local revenue as a result of improved compliance.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/lsc